

**CONFIDENTIAL**CLASSIFICATION **SECRET**

CENTRAL INTELLIGENCE AGENCY

REPORT NO. **25X1**

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**INFORMATION REPORT**CD NO. **FLK 2**

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COUNTRY China

DATE DISTR. 2 Feb. 1950

SUBJECT Conditions, Tsingtao

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Evidences of CorruptionAuth. **WFO-2**  
Date **JUN 6 1950**By: **25X1**

1. During December 1949 and January 1950 signs of relaxation in the extreme discipline of the Communist military and police in Tsingtao have been observed, as well as evidence of excesses. The military and, especially, the police are beginning to take squeeze and accept bribes.

Food Shortages, Shantung

2. Communist authorities have made no efforts to alleviate food shortages which are causing gradual starvation of the peasants throughout all Shantung. As late as November 1949 flour was still being shipped from Tsingtao to Dairen; the SS SAN EDUARDO carried a large cargo of flour to Dairen.

Shipping

3. Shipping from Hong Kong to Tsingtao continues, mostly on ships chartered by Yuen Tung and the Trinity Development Corporation. Most cargoes are consigned to the Communist Bureau of Trade and Industry. It is estimated that about 1,500 tons of cargo arrive in Tsingtao daily with less than 1/3 of this amount being exported in exchange. Two small Soviet merchant vessels are known to have brought cargo to Tsingtao between November and January. Early in December 1949 a 10,000-ton Soviet tanker, said to be the SS PALOMAR, offloaded a full cargo of kerosene and diesel oil in Tsingtao. She is not known to have taken out any cargo.

Gold Smuggling

4. On 21 January the official exchange rate was Jen Min P'iao (JMP) \$20,700 for US \$1. The Tsingtao black market is almost non-existent except for very surreptitious transactions in gold bars, which sell for twice the official rate of about US \$20 an ounce. Charterers' representatives aboard chartered vessels are reliably said to be carrying on large-scale smuggling of gold from Tsingtao.

This document is hereby regraded to  
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October 1978 from the  
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Business Taxes

6. Private businesses still remaining open have done little or no trade. During November and December over US \$300,000 in "business taxes" were collected from all firms for business transacted from July through September. Each of the 3 foreign oil companies paid about US \$7,000, and the Yee Tsoong Tobacco Company paid about US \$12,000. All taxes are exorbitant; for example, a 6-month land tax for about 2 $\frac{1}{2}$  mu in a residential area is about US \$140.

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